

Why this tradie loves his EV (Hint: It's Labor's EV subsidy)

Ryan Cropp | Energy and climate reporter | Aug 4, 2025 – 5.51pm

The Productivity Commission's proposal to end tax breaks for EVs has been blasted by clean energy groups, and the industry, who described it as 'short-sighted'.

Brendan Lang knows a bit about going electric. The tradie from Melbourne's north installs electrical appliances, including rooftop solar panels and batteries, in homes transitioning away from gas.

So when the time came to replace his Volkswagon Amarok ute, he opted for an EV, figuring it would eventually save him money and help his business. But that decision, he says, was based on the availability of a generous tax break introduced by Labor in 2022.

"It was a huge factor in my decision to purchase the car," he said. "I'm not just [another guy with a Tesla](#). I'm a small business owner. It helped reduce the up front capital costs."

The tax break – known as the fringe benefits tax exemption – can save a vehicle owner tens of thousands of dollars over several years. It is available when a person [buys an EV or plug-in hybrid](#) worth less than \$91,387 through a novated lease – where an employer pays a car lease through pre-tax salary deductions.

But economists at the Productivity Commission say that loophole – designed to turbocharge EV uptake – should be closed.

In a major new report ahead of the government's Economic Reform Summit, the PC has recommended Labor abolish the policy, which it says duplicates the government's broader scheme to increase the number of EVs on the market, the New Vehicle Efficiency Standard.

“Removing subsidies at all levels of government and allowing the NVEs to be the main tool for promoting clean vehicles will free up what governments currently spend on EVs for other purposes – ideally more productive ones,” the commission said.

“The removal of policies like these represents a step towards more consistent emissions-reduction incentives in the transport sector.”

In 2023, the commission estimated the FBT exemption likely costs Australian taxpayers between \$1,000 and \$20,000 per tonne of avoided carbon emissions.

In March, *The Australian Financial Review* revealed the tax break was costing the government [over half a billion dollars](#) – more than 10 times the amount originally estimated by Treasury. But Tim Buckley, a director at thinktank Climate Energy Finance, said the policy was an important tool to drive the uptake of EVs – and safeguard Australia’s future energy security.

“The FBT exemption is an effective scheme to accelerate the uptake of the latest technology as fast as possible and to permanently cut our addiction to imported diesel and oil,” he said.

“We’re in the middle of a transformation. Let’s accelerate the technology adoption rather than impede it.”

Between July 1, 2022, when the scheme started, and February 2025 almost 100,000 Australians [took out a novated lease on an electric vehicle](#) or a plug-in hybrid, according to the National Automotive Leasing and Salary Packaging Association.

On Monday, electric vehicle manufacturers, leasing groups and clean energy advocates blasted the PC’s proposal, which they said failed to see the bigger task of the energy transition.

Rewiring Australia CEO Francis Vierboom said the policy was working exactly as intended.

“The PC is looking at spreadsheet emissions. They’re not looking at the actual transformation that has to happen in the economy,” he said.

He said 90 per cent of people who walk into a car yard still drive out in a petrol vehicle, locking in over 20 extra years of carbon emissions.

During the election campaign, the Coalition vowed to scrap the tax break – a policy move that experts said would have raised the price of new EVs by up to \$15,000.

Climate Change and Energy Minister Chris Bowen said Labor had no plans to scrap subsidies for EVs or rooftop solar.

“While we don’t expect to agree with every idea the Productivity Commission has put forward, it’s clear from the report that our transition to net zero by 2050 is an economic opportunity for Australia,” he said.

Rohan Martin, who leads an industry association for leasing companies, said the NVES and the FTB tax break were complementary, rather than interchangeable.

“Globally, the most successful EV transitions have followed a clear road map: a mix of ‘carrot and stick’ policies, combining purchase incentives with strong emissions standards,” he said. “Arguing that the EV Discount is no longer required because of the New Vehicle Efficiency Standard doesn’t stack up. The Productivity Commission is both inconsistent and wrong.”

Martin said many of those taking advantage of the subsidy were nurses, teachers, and firefighters living in the outer suburbs, who he says would not have bought an EV without the tax break.

The Electric Vehicle Council, which represents popular manufacturers such as Tesla and BYD, said the PC’s proposal was “short-sighted”.

“The [FBT exemption] has been a game changer, especially for fleets and everyday workers who couldn’t previously afford to go electric. Removing it now would be like ripping out the charging cable halfway through the trip,” said EV Council chief executive Julie Delvecchio.

“If we’re serious about net zero, we need to accelerate – not decelerate – the shift to clean transport. That means backing in the policies that are working.”

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